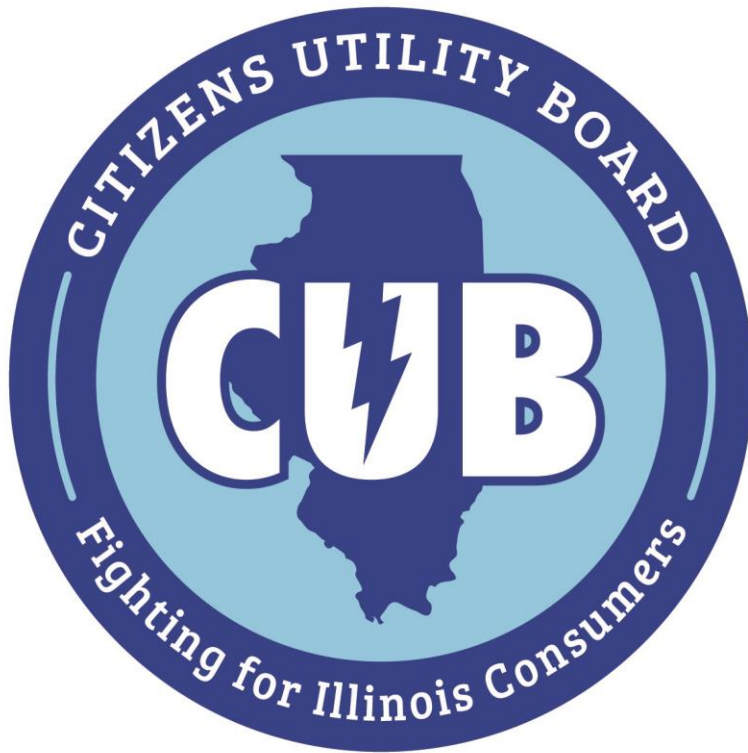


Illinois Commerce Commission Winter Preparedness Policy Session



Anticipated Ratepayer Challenges and Mitigating Measures

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CITIZENS UTILITY BOARD (CUB)

Looming Winter Heating Bills in the Face of a Pandemic

- Thanks to the Joint Stipulation, Winter disconnection moratorium (Part 280.135 of the Commission's Administrative Rules) and the commitments of Illinois' utilities, utility disconnections for nonpayment have now ceased through March 31, 2021 for ComEd, Peoples Gas, North Shore Gas, Nicor Gas.
- The importance of access to gas for heating, and electricity for powering devices to work from home, staying connected to friends and family; and accessing water service for drinking water, washing hands, cooking, and cleaning has never been greater.



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Current Electric Rates:

- **ComEd**
7.067 cents per kilowatt-hour (kWh)
- **Ameren Illinois**
4.542 cents per kWh for the first 800 kWh of usage; 4.389 cents per kWh for usage above 800 kWh
- Each down slightly from summer rate



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Natural Gas Rates:

November 2020 PGAs:

Ameren Gas	\$.33/therm
Nicor Gas	\$.28/therm
Peoples Gas	\$.28/therm
North Shore Gas	\$.39/therm

These prices are in line with the average PGAs for these natural gas utilities over the last 3 years. The rates have ranged roughly from a low of \$.18/therm to a high of \$.48/therm, largely staying in a band of about \$.25 - \$.35.



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Natural Gas Cost Trends:

- The Energy Information Administration's outlook for natural gas commodity prices show that, after a 4% drop in 2020, natural gas demand is expected to progressively recover in 2021 as consumption returns close to its pre-crisis level
- According to Natural Gas Intelligence, rising domestic and international demand for natural gas as winter weather settles in, combined with continued light production levels, are expected to send U.S. natural gas prices soaring next year, according to multiple forecasts issued in recent weeks.
- Morgan Stanley analysts project that record production declines in shale gas production and a rebound in winter heating demand could propel Henry Hub prices to \$5.00/MMBtu, up from under \$3.00/MMBtu today, if weather is colder than normal this winter.



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The Intersection of Home Heating and the Movement Toward Beneficial Electrification:

- If we incent continued reliance on natural gas for home heating, the natural gas delivery system will inevitably require continued – and significant – investment and will enable continued reliance on carbon-based fuel instead of stimulating traditional renewables like solar and wind.
- Nicor Gas and People Gas currently spend around \$300 million per year in infrastructure upgrades.
- This investment could lead to large stranded costs if public policy and economics favor a move toward electrification for home heating.



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Rising Gas Utility Distribution Costs Collide with Decarbonization Goals:

- Peoples Gas System Modernization Program is moving at an aggressive pace, with spending at about \$300 million/year and a target end date of 2035-2040.
- PGL customer charge plus Rider QIP is now over \$40 for Peoples Gas customers, before they even use a single therm of gas – more than twice what Nicor Gas customers pay. This is untenable in a city where about 20% of the population lives at poverty level.
 - Peoples Gas customers on average paid 80 percent more than suburban Nicor Gas customers to heat their homes in the winter of 2017-2018.



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Rising Gas Utility Distribution Costs Collide with Decarbonization Goals:

- The impact of high fixed delivery charges and increasing commodity costs may result in a heating affordability crisis for City residents.
- If increasing numbers of customers can't pay, the costs will be magnified for those who can. At some point those customers will chose household electrification to avoid the severe rate impacts of their gas bill.
- This will leave an even smaller customer base to disproportionately absorb the significant rate increases.
- The result over time could be large stranded costs of an unaffordable gas infrastructure system.



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Mitigating Steeply Rising Natural Gas Bills:

- Initiate long-term distribution system planning.
- Reevaluate the continued efficacy of the SMP.
- Consider cost-effective alternatives to pipeline replacement that would improve safety while also reining in costs to consumers.
- Reduce the significant environmental harms of the existing natural gas system through beneficial electrification of home heating.
 - Electric heat pumps present great promise to replace boilers as standard residential heating source.



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Impacts of the Pandemic-related Economic Devastation on Income Challenged Customers:

- Paying utility bills will be a serious challenge for many households with reduced or no income as a result of the pandemic.
- Large arrearages will likely build over the winter moratorium period for customers that cannot pay, which could lead to massive disconnections after the moratorium ends.
- Need effective solutions to keep customers connected to essential utility service and mitigate the rate effect of socialization of these costs. Could be additional bill payment assistance as well as legislative relief.



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CREDIT AND COLLECTION STIPULATION ACCOMMODATIONS:

Other solutions to enable financially troubled customers to remain connected to vital utility service could include making permanent some of the provisions of the Joint Stipulation between utilities, consumer advocates and the Commission.

- Continue to make available extended 18 – 24 month DPAs
- Waiver of deposits for both new and current customers.
- Customers should be able to self-certify financial hardship and should not be required to provide documentation to avail themselves of low income protections.



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Watch out for Bad Supplier Deals:

- Illinois consumers have **lost more than \$1 BILLION** from alternative electric suppliers in just the last 5 years.
- Natural Gas supplier offers are higher than the regulated rate for all but one in Nicor Gas territory.
- Thanks to a Commission-issued moratorium on doorstep sales, customers need not be exposed to the virus via this sales channel.
- Aggressive telemarketing sales have continued.
- Beware of promised or insinuated savings – CUB data shows it is highly unlikely customers will save.
- This is no time to artificially increase residential heating bills.

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ENABLING CUSTOMERS TO TAKE CONTROL OF THEIR UTILITY BILLS

- Real Time Pricing programs for ComEd & Ameren customers
- Energy Efficiency
 - Raise thermostat
 - Take advantage of utility energy efficiency programs to purchase efficient appliances and weatherization programs to seal your home against winter cold.

